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affairs association

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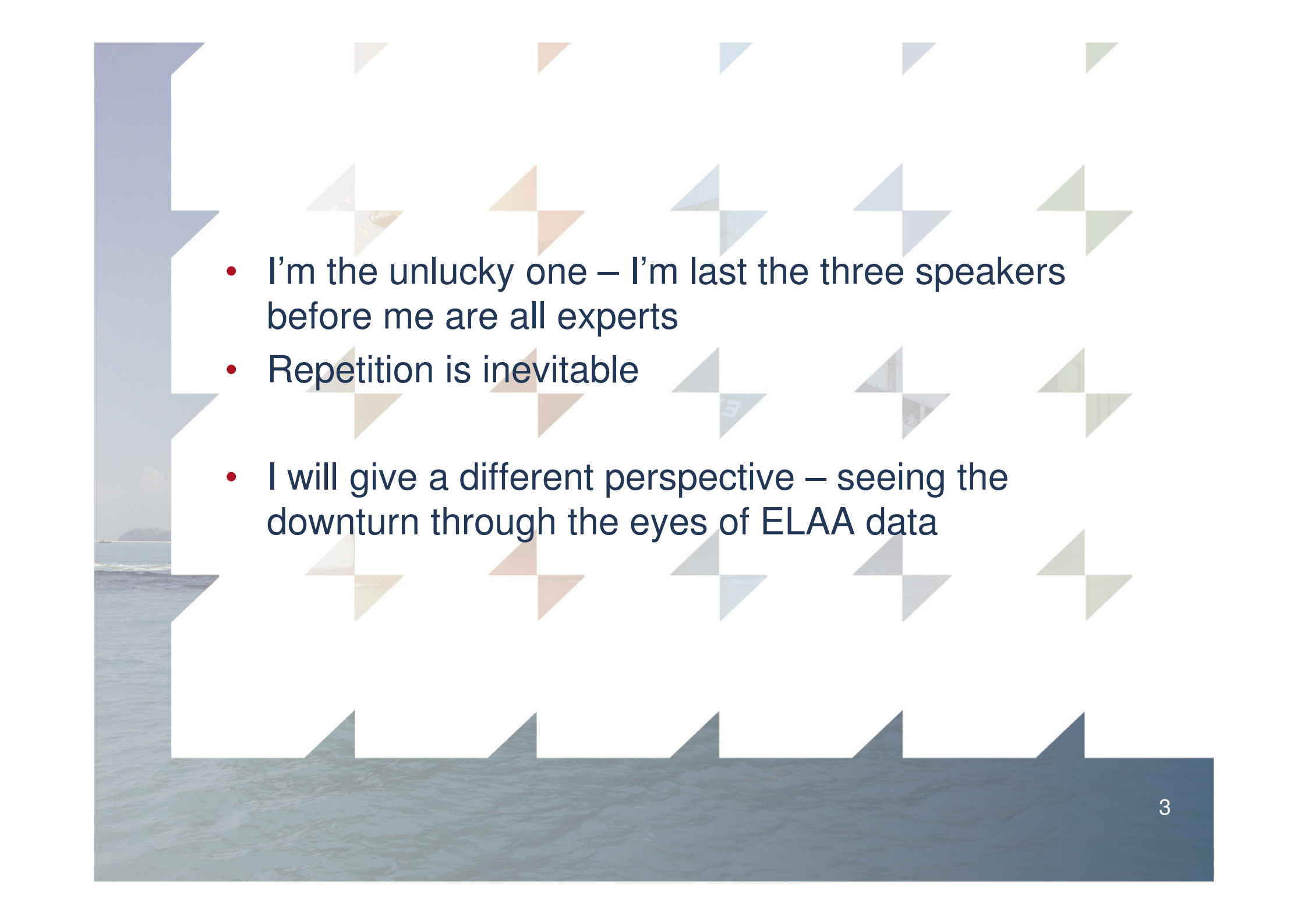
www.elaa.net

Taking the Measure of Global Events

HOW EUROPEAN LINER SHIPPING IS COPING IN THE DOWNTURN

Chris Bourne
ELAA

TOC
Bremen
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- I'm the unlucky one – I'm last the three speakers before me are all experts
 - Repetition is inevitable
 - I will give a different perspective – seeing the downturn through the eyes of ELAA data

- In articles and speeches we all try and outdo each other
- 421 container ships are idle
- No container ships ordered in 2009
- No containers ordered in 2009
- 15,000 container builders off work in Shanghai
- Port volumes down by 20%, 30%??

WHY ARE WE IN THIS MESS?

- Lines enjoyed double digit expansion for years
- Banks saw this growth and thought it would go on for ever
- Lines were offered cheap credit and went on a buying spree
- The bubble burst

- The conference organisers called this session “Taking the Measure of Global Events”

- I want to calmly and unemotionally analyse what is happening and suggest what could happen next

- ELAA initially was a lobbying organisation for the liner industry for both the Conference and Consortia Regulations
- ELAA data comes from our Members the lines and we cover about 95% of European trades
- The regulators insist we share this information with customers
- The figures I show here are freely available on our web. Much more detail is available for purchase

2008 – EUROPEAN LINER VOLUMES

European Trades	Imports into Europe – million TEU	Exports from Europe – million TEU	TOTAL – million TEU
Asia	13.1	5.0	18.1
SubSaharan Africa	0.4	1.2	1.6
Australasia	0.2	0.4	0.6
Indian Subcontinent & Middle East	1.5	2.3	3.8
North America	3.0	3.0	6.0
South & Central America	1.4	1.0	2.4
TOTAL	19.2	12.9	32.1

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Of total European deep sea container trade, China represents 40% of imports and 23% of exports

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- The world uses the term globalisation
 - Wouldn't China-isation be more correct?

KEY INFORMATION THE INDUSTRY NEEDS

- Up to date trade volumes
- Price index to show how prices are moving

2009 FIRST FOUR MONTHS FIGURES

– PERCENTAGE CHANGE FROM 2008

European Trades	Direction	January	February	March	Q 1	April
Asia	Import	-18.31%	-33.62%	-18.5%	-22.64%	-23.98%
	Export	-19.86%	-21.00%	- 7.75%	-15.80%	-10.78%
SubSaharan Africa	Import	-0.76%	-2.51%	+2.98%	-0.5%	+8.37
	Export	-5.65%	-4.16%	+5.38%	-1.34%	+1.1
Australasia	Import	+7.04%	-16.25%	-10.95%	-8.07%	+14.77%
	Export	-4.54%	-21.02%	-16.74%	-14.64%	-28.90%
Indian Subcontinent & Middle East	Import	-12.22%	-13.88%	-13.46%	-13.22%	+1.32%
	Export	-12.72%	-8.11%	+4.14%	- 5.16%	-0.9%
North America	Import	-24.92%	-32.13%	-27.94%	-28.42%	-28.65%
	Export	-10.91%	-17.34%	-13.53%	-14.05%	-17.61%
South & Central America	Import	-18.06%	-11.28%	-9.92%	-12.74%	-18.50%
	Export	-26.90%	-30.17%	-26.78%	-27.96%	-32.75%
Europe	NB	-6.15%	-5.62%	+37.03%	+6.59%	+5.86%
	SB	-15.48%	-7.84%	-2.63%	-8.41%	-8.63%

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WHAT ARE THE LESSONS?

- The main trades Asia Europe, North America Europe are very bad indeed
- Asia Europe lines revenue is about 40% of what it was in 2008
- This is unsustainable
- Maybe signs of bottoming out
- Other trades not so bad
- Remarkably some pluses

FEBRUARY PRICE INDEX – 2008 = 100

European Trades	Direction	January Index	February Index
Asia	Imports	45	44
	Exports	66	59
North America	Imports	96	87
	Exports	83	80
South & Central America	Imports	88	87
	Exports	93	76
Indian Subcontinent & Middle East	Imports	61	53
	Exports	79	72
Australasia & Oceania	Imports	96	94
	Exports	88	81
SubSaharan Africa	Imports		
	Exports	91	74
Intra Europe	NB	89	81
	SB	86	75

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WHAT ARE THE LESSONS?

- Rate reduction for Asia Europe are horrendous – by far the worst
- On other trades prices have fallen but not so significantly

LINES' RESPONSES

- Slow steaming
- Going around the Cape
- Off hiring vessels
- Scrapping vessels
- Cutting overheads
- Reduce number of sailings
- Larger vessels
- Lines withdrawing from the trade

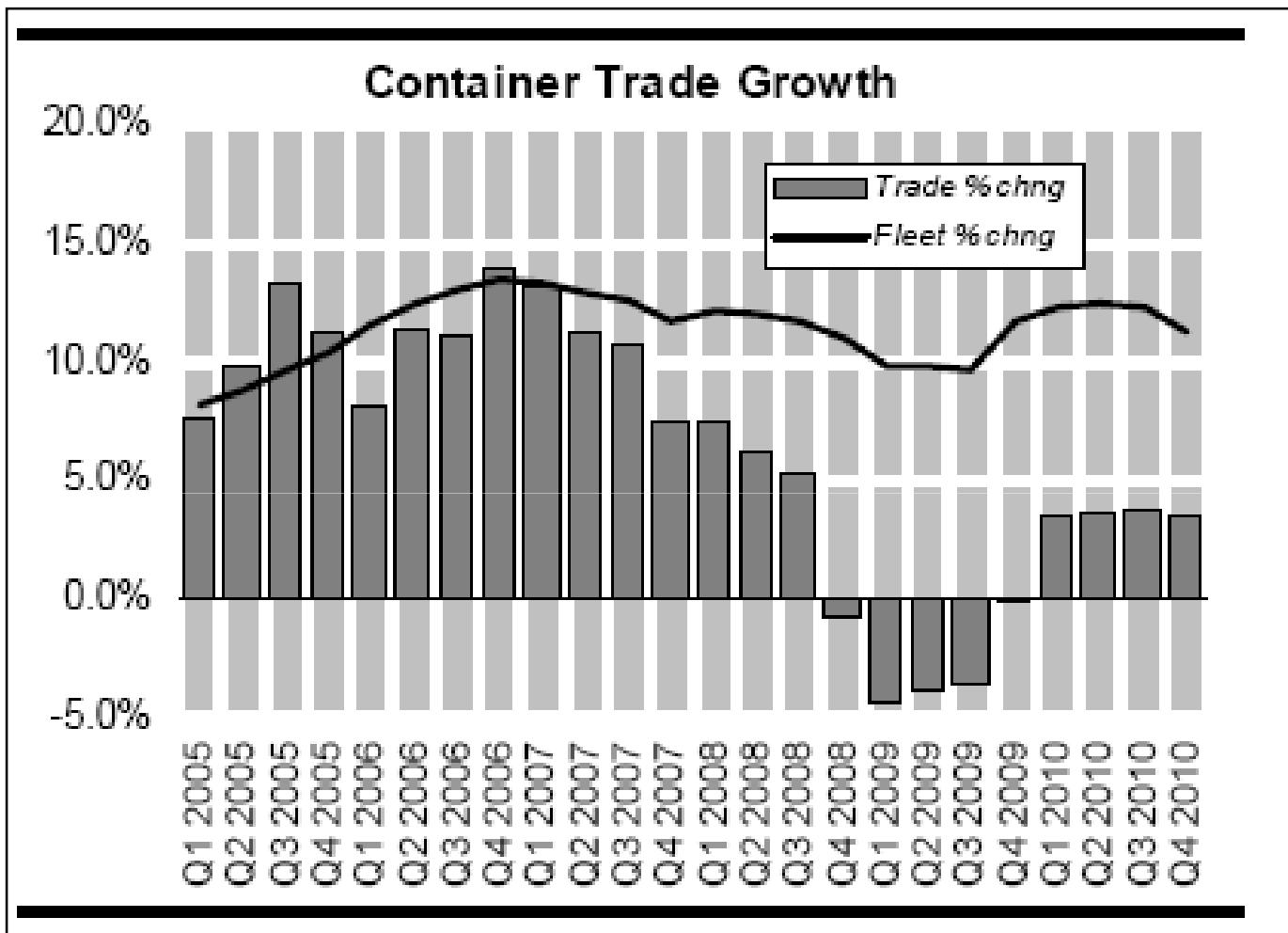
ASIA EUROPE TRADE WESTBOUND – SAILINGS PER MONTH – AVERAGE CAPACITY OF VESSEL

Month	Number of Sailings	Average Vessel Size
October 08	243	6360 TEU
November 08	253	6411 TEU
December 08	223	6414 TEU
January 09	213	6892 TEU
February 09	154	6728 TEU
March 09	199	7080 TEU
April 09	187	7103 TEU

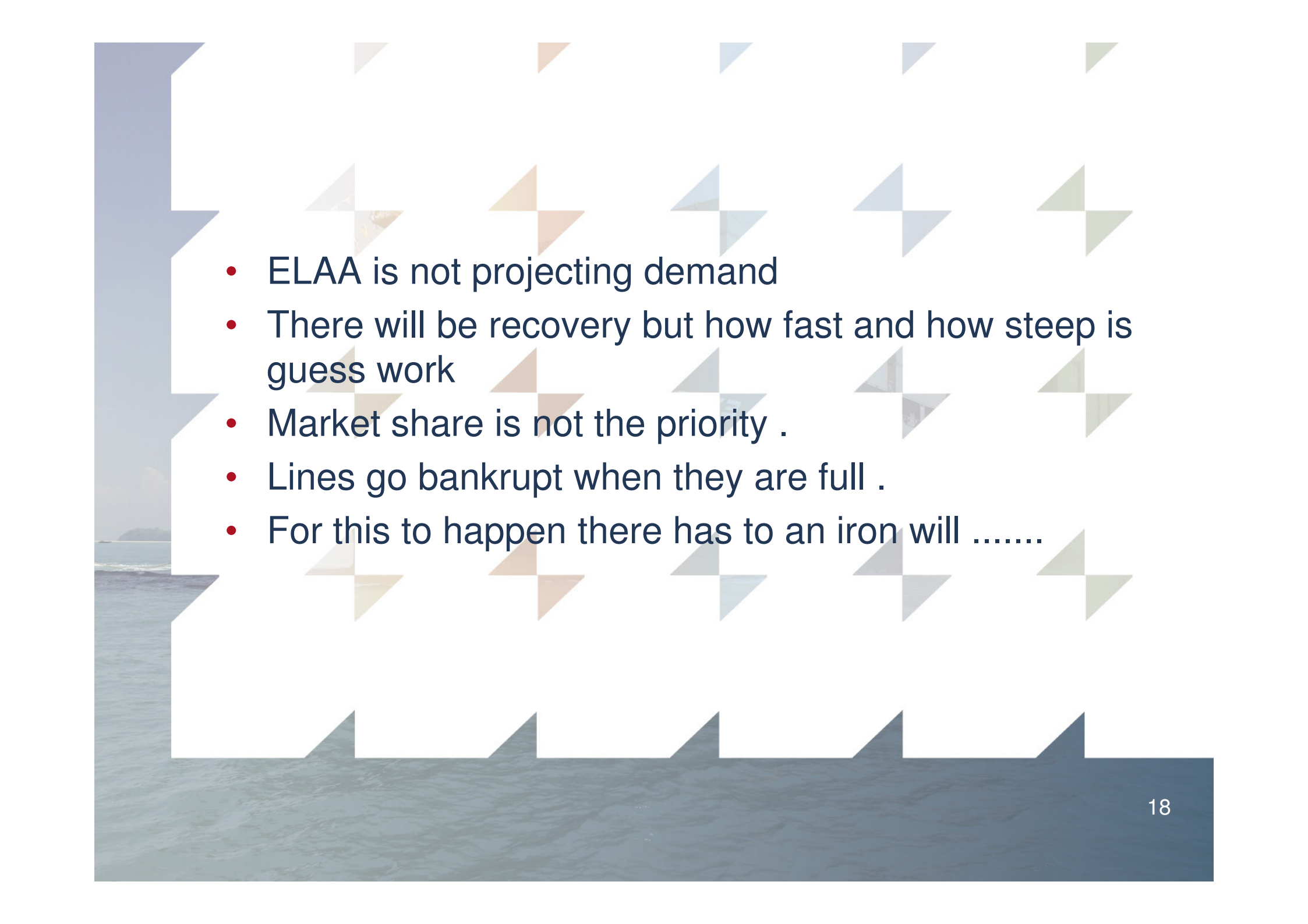
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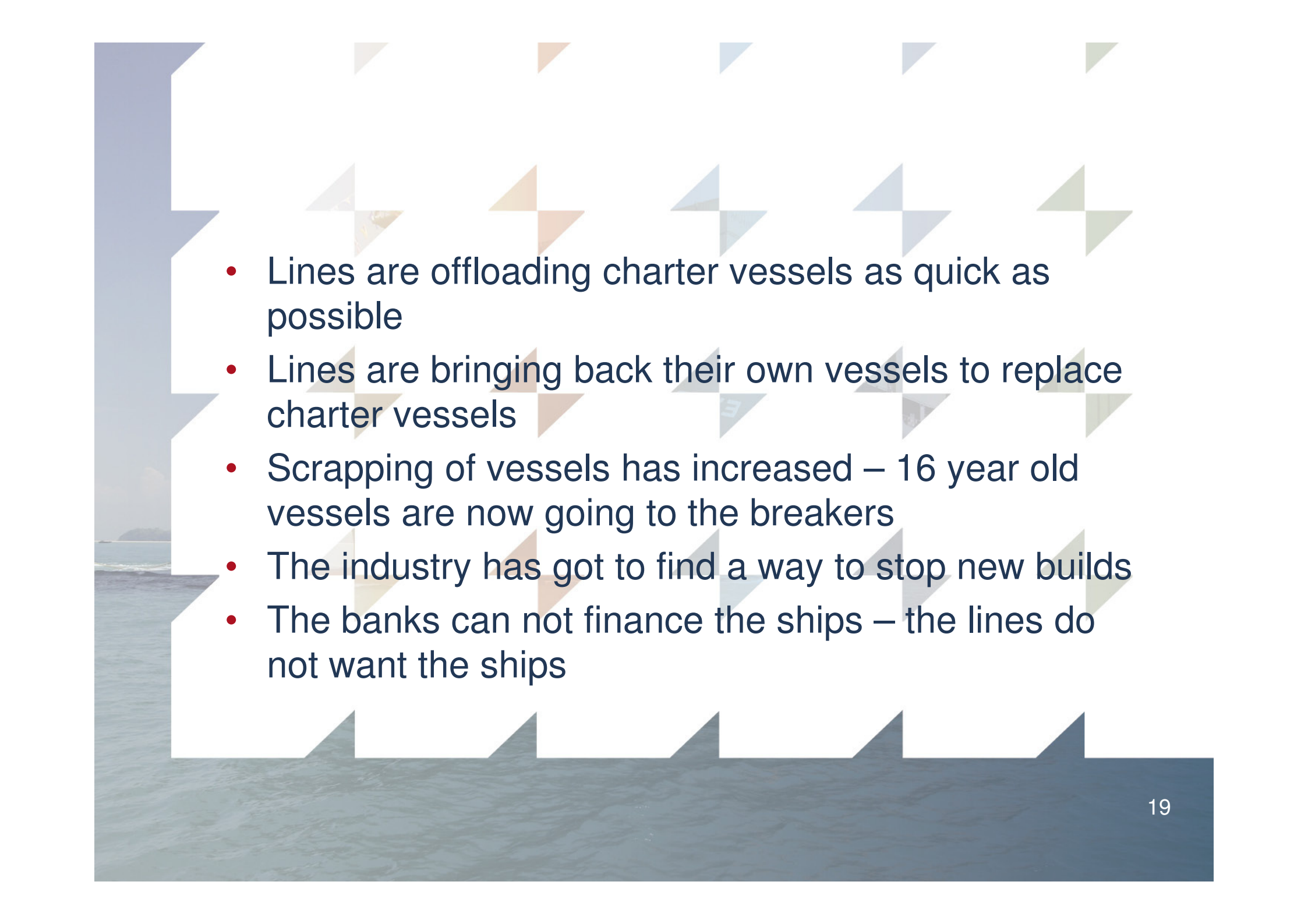
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- So what has to happen?



SOURCE: CLARKSON'S

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- ELAA is not projecting demand
 - There will be recovery but how fast and how steep is guess work
 - Market share is not the priority .
 - Lines go bankrupt when they are full .
 - For this to happen there has to an iron will

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- Lines are offloading charter vessels as quick as possible
 - Lines are bringing back their own vessels to replace charter vessels
 - Scrapping of vessels has increased – 16 year old vessels are now going to the breakers
 - The industry has got to find a way to stop new builds
 - The banks can not finance the ships – the lines do not want the ships

Its all quite simple

- Keep control of supply .
- Only sail ships when they are going to be full .
- Be firm on Price Increases
- **AND HOPE FOR RECOVERY**